

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Waltham Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: December 5, 2019

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes payments are made on average on July 1 of each fiscal year. The schedule is effective in FY20 (since the amount under the prior schedule was maintained in FY20) and is acceptable under Chapter 32.

Although we are approving the FY21 appropriation, we have some concerns regarding the plan assumptions. The System maintained the 7.75% investment return assumption from 2017 in this valuation. We have generally recommended an assumption between 7.0% and 7.25% for our 2019 local system valuations, with the most common recommendation being 7.25%. For comparison, there are 35 systems currently using an assumption of 7.25% or lower. There are 54 systems using an assumption of 7.30% - 7.50%. The 7.50% assumption represents the high end of our reasonable range for 2019. Your 7.75% assumption is outside the high end of our range.

Likewise the salary increase assumption is among the lowest in the state. Only 9 systems use an assumption of 3.5% or lower in valuations. We note that page 3 of the valuation report shows a \$2.5 million loss on the salary assumption (pay was greater than assumed).

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability**	Funded Ratio %**
2020	\$5,958,080	\$2,069,402	\$16,265,598	\$18,335,000	27.6	\$191,359,530	56.8
2021	6,231,710	2,074,258	16,910,742	18,985,000	27.7	189,286,949	58.9
2022	6,517,196	2,076,919	17,723,081	19,800,000	27.9	186,404,585	61.1
2023	6,815,032	2,077,226	19,047,774	21,125,000	28.7	182,453,904	63.5
2024	7,125,733	2,075,009	20,484,991	22,560,000	29.6	176,821,978	66.0
2025	7,449,835	2,070,093	22,029,907	24,100,000	30.6	169,261,708	68.8
2026	7,787,894	2,062,290	23,687,710	25,750,000	31.6	159,511,853	71.8
2027	8,140,492	2,051,406	25,478,594	27,530,000	32.6	147,285,539	75.0
2028	8,508,232	2,037,234	27,402,766	29,440,000	33.7	132,252,701	78.5
2029	8,891,741	2,019,556	29,465,444	31,485,000	34.8	114,057,475	82.2
2030	9,291,673	1,998,145	31,701,855	33,700,000	36.0	92,311,003	86.2
2031	9,708,708	1,972,762	34,077,238	36,050,000	37.2	66,557,726	90.5
2032	10,143,554	1,943,154	37,724,866	39,668,020	39.6	36,342,857	95.0
2033	10,596,945	1,909,057	0	1,909,057	1.8	(0)	100.0
2034	11,069,648	1,870,193	0	1,870,193	1.7	(0)	100.0
2035	11,562,458	1,826,269	0	1,826,269	1.6	(0)	100.0
2036	12,076,206	1,776,980	0	1,776,980	1.5	(0)	100.0
2037	12,498,873	1,839,175	0	1,839,175	1.5	0	100.0
2038	12,936,333	1,903,546	0	1,903,546	1.5	0	100.0
2039	13,389,105	1,970,170	0	1,970,170	1.5	0	100.0
2040	13,857,724	2,039,126	0	2,039,126	1.5	0	100.0
2041	14,342,744	2,110,495	0	2,110,495	1.5	0	100.0
2042	14,844,740	2,184,363	0	2,184,363	1.5	0	100.0
2043	15,364,306	2,260,815	0	2,260,815	1.5	0	100.0
2044	15,902,057	2,339,944	0	2,339,944	1.5	0	100.0
2045	16,458,629	2,421,842	0	2,421,842	1.5	0	100.0
2046	17,034,681	2,506,606	0	2,506,606	1.5	0	100.0
2047	17,630,894	2,594,338	0	2,594,338	1.5	0	100.0
2048	18,247,976	2,685,139	0	2,685,139	1.5	0	100.0
2049	18,886,655	2,779,119	0	2,779,119	1.5	0	100.0
2050	19,547,688	2,876,389	0	2,876,389	1.5	0	100.0
2051	20,231,857	2,977,062	0	2,977,062	1.5	0	100.0

** Beginning of Fiscal Year